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OUR WEALTH UNDERGOING A WIDE REDISTRIBUTION  
Very Rich Fewer, Middle Class Better Off, Income Tax Unit Finds

**H**IGHLY significant to students of economics are the income tax figures presented in the accompanying article. The vast increase in the persons paying on moderate incomes, the greater number earning up to \$5,000 yearly and the startling decline in the number paying on incomes of \$1,000,000 or over mark a redistribution of wealth that seems a sure index of general prosperity.

Study of the comprehensive table is certain to interest every taxpayer and is bound to gratify all with the welfare of the nation at heart. Easily deduced from it is a picture of more general comfort for the many, a more far-reaching contentment and a richer, happier nation. Even more illuminating is the article itself analyzing these figures.

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**N**EARLY 2,000,000 men and women have boosted their earnings and annual incomes within the limits of the requirements of the Federal income tax since 1917. It is shown in official studies made by the Income Tax Unit of the Internal Revenue Bureau.

More than 5,000,000 persons now are paying the Federal tax on incomes ranging from \$1,000 to \$10,000 a year. This group of taxpayers has increased its numbers 54 per cent. since 1917.

During the same period a subtraction of 73 per cent. has occurred in that group of taxpayers reporting incomes of \$1,000,000 a year and upward. Correspondingly large reductions have occurred in the numbers of individuals paying taxes on incomes ranging between \$100,000 and \$1,000,000 a year.

Not more than 2,000 men and women will report incomes large enough to require payment of the maximum 50 per cent. surtax on receipts of \$200,000 and more a year under the new tax law, officials estimate. In former years more than 3,000 persons always have come within the requirements of the maximum surtax.

Something very like what is often called a "redistribution of wealth" is taking place in the United States. Millions of persons of moderate means are becoming richer. The so-called rich are becoming poorer, the official studies seem to show.

## How the Rich Are Poorer.

## And Middle Class Richer

The official studies of the Income Tax Unit are regarded as the best and most accurate data obtainable throwing light on the earnings of the residents of the United States. These studies indicate that throughout the entire United States the average family pocketbook now contains more dollars than ever before despite the economic depression and the so-called hard times.

Salary scales in every section are higher than since before the great war. Wage scales are descending, it is true, but the lower registers of the income tax reports indicate that workers still are earning more than in 1913 and 1914. Living costs, roughly 50 per cent. lower than a year ago, spell for the worker greater purchasing power with his dollar.

And the financial situation is becoming very materially better for the much discussed "white collar worker," who, during the war, suffered from a stationary income, while the manual laborer went far ahead of him in earnings. The financial success of the school teacher, the college professor, the office clerk, the bookkeeper and persons of kindred professions is at hand.

The great mass of residents of the United States now is finding itself with far more to spend for education and recreation than ever before, the official reports indicate. The few belonging to the large income groups are having what may be described as rough sledding financially, if the reports are read comparatively between the years of the war period and the present.

Being a millionaire now is a most difficult job. War fortunes are vanishing. But the millions of persons of moderate means are finding their pocketbooks easier to fill. For them it is becoming easier to live. The change that is taking place is raising the standard of welfare of the entire nation.

## About 5,000,000 Pay Taxes.

## Only 3,400,000 in 1917

Approximately 5,000,000 women and men now are paying Federal taxes on incomes received in 1920. In 1920 the number of taxpayers was 5,300,000, and in 1918 the total was 4,400,000. The year 1917 found only 3,400,000 on the tax rolls. The total number of taxpayers thus is shown to be increasing year by year.

Practically all of the increase is taking place in the lower rolls of taxpayers, that is to say, in the groups of persons paying on incomes of under \$10,000 a year. This

More Than Five Million Persons Now Paying on Net Incomes Ranging From \$1,000 to \$10,000 a Year, an Increase in This Group of 54 Per Cent. Since 1917—War Fortunes Are Vanishing and Profiteers' Gains Are Fading Away as Government Rounds Up the Tax Dodgers

## INCREASING NUMBER OF FEDERAL INCOME TAX PAYERS SEEN AT A GLANCE.

Net Income Per Year.	1914	1915	1916	1917	1918	1919	1920	Percentage change in number taxpayers each group up to 1919, plus (+) sign indicating increase; minus (-) sign a decrease.
\$1,000 to \$2,000	149,279	127,994	157,149	1,640,758	1,516,938	1,924,872	1,924,872	+ 16% 1917 to 1919
2,000 to 3,000	127,448	120,402	150,553	838,707	1,496,878	1,569,741	1,569,741	+ 87% 1917 to 1919
3,000 to 5,000	58,603	60,304	80,882	560,763	932,336	1,180,488	1,180,488	+ 69% 1914 to 1919
5,000 to 10,000	14,676	17,301	23,734	270,666	319,356	438,851	438,851	+ 24% 1914 to 1919
10,000 to 25,000	5,161	6,847	10,452	112,502	116,569	162,485	162,485	+ 17% 1914 to 1919
25,000 to 50,000	1,189	1,793	2,900	24,491	28,542	37,477	37,477	+ 14% 1914 to 1919
50,000 to 100,000	406	724	1,284	12,439	9,996	13,320	13,320	+ 16% 1914 to 1919
100,000 to 150,000	233	386	726	3,302	2,358	2,983	2,983	+ 15% 1914 to 1919
150,000 to 200,000	130	216	427	1,302	866	930	930	+ 12% 1914 to 1919
200,000 to 250,000	147	254	469	703	401	480	480	+ 10% 1914 to 1919
250,000 to 300,000	69	122	245	342	247	454	454	+ 24% 1914 to 1919
300,000 to 400,000	114	209	376	380	260	160	160	+ 8% 1914 to 1919
400,000 to 500,000	60	120	206	179	122	265	265	+ 65% 1914 to 1919
500,000 to 1,000,000	114	209	376	315	178	189	189	+ 65% 1914 to 1919
1,000,000 and over	60	120	206	141	67	65	65	- 10% 1914 to 1920
Total taxpayers	357,515	336,652	437,036	3,472,890	4,425,114	5,332,760	5,332,760	(d) 506,704

NOTE: Persons with incomes of less than \$3,000 a year not required to make tax returns prior to 1917.

(a) Groups \$6,000 to \$100,000 inclusive. (b) Includes groups \$150,000 to \$250,000. (c) Includes groups \$250,000 to \$500,000. (d) Total only for groups paying on income of \$6,000 a year and more.

is clear evidence, officials say, that the average family is gradually improving its financial circumstances.

A large increase also is taking place in the total amount of net income reported each year. The total of net income reported in 1917 was, in round numbers, \$13,652,000,000. The following year the total increased to \$15,925,000,000. In 1919 net income jumped to \$19,859,000,000. This is an increase of more than 40 per cent. The total reported for the calendar year 1920 has not yet been computed by the Income Tax Unit, but it is believed to be in excess of any previous year.

## Average of All Is \$3,724.

## Average Tax Is \$238

The average of all incomes earned in 1919 and reported to the tax bureau was \$3,724. The average tax was \$238. Although these figures cannot be taken to mean that the average family now has to spend an amount in excess of \$3,000 each year, there is a clear indication, officials say, that millions of families are in really comfortable financial circumstances.

Between 1917 and 1919 an increase of 690 per cent. was recorded in the number of persons paying the Federal tax on incomes ranging between \$3,000 and \$5,000 a year. In the first named year only 561,000 persons received incomes between these limits. In 1918 the number of individuals responding in this group numbered 932,000. In the following year the group jumped its membership to 1,180,000.

That group of taxpayers reporting net income between \$1,000 and \$2,000 a year increased 16 per cent. between 1917 and 1919. In 1917 the group included 1,641,000 individuals. In 1919 it had increased to 1,924,872.

An increase of 87 per cent. was discovered in the class of net incomes ranging between \$2,000 and \$3,000. More than 1,570,000 persons now belong to this group.

Net income, it must be remembered in considering these returns, does not indicate the full earning power of the taxpayer, because, as used by the Government, the term spells income only after the allowed deductions have been made.

The official studies of the Income Tax Unit show that all along the line of incomes of persons in moderate circumstances large increases have occurred not only in the total of net income but in the number receiving it as well. The studies show that as consideration is given to the higher income classes of the table the number of taxpayers is steadily decreasing.

Only 54 persons are paying a tax on incomes of \$1,000,000 a year and over received during the calendar year 1920, according to information presented recently to the Senate. The official reports

for 1920 earnings have not yet been made public by the Income Tax Unit, but it is presumed that the data supplied the Senate came from this source.

A total of 206 persons paid taxes on incomes of \$1,000,000 a year and more in 1917. Since that year, however, a steady decline is shown in the so-called million-dollar taxpayers. Very many persons are making an exit each year from that much envied group.

In 1917 the group included 141 individuals. The following year the group reduced its numbers to 67, while in 1919 two additional members handed in their resignations, leaving the total membership at only 65. The world famous species of American millionaire would seem to be travelling the path toward extinction.

The identity of these millionaire taxpayers is officially not disclosed by the Income Tax Unit. Disclosure is prohibited by law. Many attempts to guess the names of members of the millionaire tax group have been made, but there is no official confirmation obtainable. Curiously, it seems safe to assume that one member of the group is Andrew W. Mellon, Secretary of the Treasury, and, as such, officially in charge of the Internal Revenue Bureau to which the taxes are paid.

In 1918 four persons paid taxes on incomes of \$5,000,000 each or over received during the calendar year 1917. This classification now has been abolished as far as the published returns of the Income Tax Unit are concerned. But it is known that the number of \$5,000,000 taxpayers at present is almost completely extinct. The 1917 receipts also supplied the Government with a list of sixty-seven persons who paid the tax on incomes of more than \$1,000,000 but less than \$1,500,000. Thirty-three individuals confessed to receipts ranging between \$1,500,000 and \$2,000,000, while twenty-four admitted incomes of from \$2,000,000 to \$3,000,000. Five taxpayers received between \$3,000,000 and \$4,000,000 in that year.

## Shift in Their Investments To Tax Exempt Securities

Some portion of the reduction in the number of million-dollar taxpayers results from the investment in tax exempt securities like the Liberty Bonds and the bonds of States, cities and school districts. Approximately \$10,000,000,000 now is invested in this class of securities, according to one estimate by Secretary of the Treasury Mellon. But the extent to which this means of escape from Federal taxation can be sought is limited for the recipient of the very large income.

That the job of accumulating and retaining an income that will put its possessor in the million-dollar tax class is

becoming very, very difficult is made clear beyond question by the tax returns. There can be no question that the size of the group is decreasing steadily. Just now it is below the size it had attained just prior to the war.

Income classes.	Simple distribution.	
	Amounts	Per cent.
	in each class.	of total.
\$1,000 to \$2,000 . . . .	\$26,481,602	2.35
\$2,000 to \$3,000 . . . .	35,415,344	3.14
\$3,000 to \$5,000 . . . .	82,928,720	7.35
\$5,000 to \$10,000 . . . .	93,057,963	8.25
\$10,000 to \$25,000 . . . .	142,448,679	12.63
\$25,000 to \$50,000 . . . .	130,240,648	11.55
\$50,000 to \$100,000 . . . .	147,428,655	13.07
\$100,000 to \$150,000 . . . .	95,680,064	8.48
\$150,000 to \$200,000 . . . .	136,155,916	12.07
\$200,000 to \$500,000 . . . .	73,164,847	7.03
\$500,000 to \$1,000,000 . . . .	69,834,148	6.19
\$1,000,000 and over . . . .	88,885,249	7.89
Total tax—collected	\$1,127,721,835	100.00

The epoch of the war profiteer seems to have passed completely. The man into whose hands went millions as a result of circumstances during the war period is beginning to learn that circumstances of the economic depression can remove those millions just about as quickly as they accumulated. That is why the millionaire as a species at present is working harder than ever before. Keeping his war gained millions is proving a struggle.

To the man and woman of moderate means, accustomed to live and purchase recreation and education on only a fraction of the income of the individual of great wealth, the struggle of the rich man to retain his wealth may seem a matter of small moment.

The situation of the million-dollar taxpayer is worth explanation. In the war years when millions were rolling in most persons of large incomes contracted obligations to charitable and philanthropic institutions on that basis. Gifts of large sums were promised for the succeeding years.

Came the economic depression. The million dollar incomes began to shrink. But the obligations to the charitable and philanthropic institutions remained just as large as ever. In one sense the million dollar taxpayer became "poor." He still is "poor" and getting "poorer." But his millions of dollars are passing into the hands of millions of persons, to some of whom the increase in income thereby is very material.

The million dollar taxpayer did not, however, pay the largest proportion of taxes under the revenue law of 1917 which has just been replaced. Despite the fact that more than 60 per cent. of the total received by such persons was taken by the Government under the surtax clauses, the group of persons receiving incomes of \$1,000,000

and over in 1918 paid only 7.89 per cent. of the grand total of taxes collected.

Persons receiving between \$10,000 and \$100,000 a year paid the largest proportion of the taxes, the official reports show. This is made clear in this table:

Tax (normal and surtax.)	Cumulative per cent. Over the class below.	Under the class above.
Below the class.	distribution.	Under the class above.
\$1,127,721,835	\$26,481,602	100.00 2.35
1,101,240,233	61,896,946	97.65 5.49
1,065,824,889	144,825,666	94.51 12.84
882,896,169	237,883,629	87.16 21.99
889,838,206	380,332,308	78.91 33.72
747,389,527	510,572,356	66.28 45.27
617,148,879	658,001,611	54.73 58.34
469,720,224	753,681,675	41.66 66.82
374,040,160	889,837,591	33.18 78.89
237,884,244	969,092,438	21.11 85.92
158,712,397	1,038,835,888	14.98 92.11
88,885,249	1,127,721,835	7.89 100.00

Although an intensive study of the tax receipts for the calendar year 1920 has not been completed by the Income Tax Unit, an accurate idea of the sources of revenue of the average taxpayer can be gained from the study for 1918. The sources have not changed materially since that year. In this connection the following table is of interest as showing how income is earned by the majority of taxpayers:

## DISTRIBUTION OF PERSONAL INCOME BY SOURCES AND BY INCOME CLASSES. SHOWING THE PROPORTIONATE AMOUNTS FROM EACH SOURCE EXPRESSED IN PERCENTAGE, CALENDAR YEAR, 1918.

Income classes.	Wages and salaries.	Busi-ness.	Part-nership profits.	Profits from real estate, stocks and bonds.	Rents and royalties.	Divi-dends.	Inter-est and investment income.
\$1,000 to \$2,000	74.67	10.20	1.57	6.53	5.18	1.93	5.92
\$2,000 to \$3,000	65.42	18.01	2.32	6.83	5.53	2.27	5.42
\$3,000 to \$5,000	48.56	27.06	4.34	1.54	6.59	5.27	6.64
\$5,000 to \$10,000	33.55	25.67	9.38	2.73	7.08	12.89	8.70
\$10,000 to \$20,000	33.10	14.16	10.39	3.20	5.72	28.73	9.69
\$20,000 to \$40,000	28.76	9.69	11.77	2.20	3.97	33.01	16.60
\$40,000 to \$60,000	25.79	7.65	13.49	2.08	3.58	38.44	16.57
\$60,000 to \$80,000	21.51	7.29	14.91	1.85	3.12	39.26	11.96
\$80,000 to \$100,000	19.00	6.71	14.90	1.28	2.54	44.08	11.49
\$100,000 to \$150,000	15.92	6.37	17.33	1.84	3.07	43.18	12.28
\$150,000 to \$200,000	13.10	7.79	16.41	1.25	1.93	44.18	15.34
\$200,000 to \$250,000	11.22	6.28	22.51	1.32	1.83	45.40	11.44
\$250,000 to \$500,000	10.73	7.38	21.21	1.16	1.44	43.53	13.45
\$500,000 to \$1,000,000	9.62	5.63	22.72	1.01	2.32	45.24	13.46
\$1,000,000 to \$1,500,000	4.37	6.86	14.50	2.68	2.95	53.65	14.99
\$1,500,000 to \$2,000,000	6.29	1.89	21.19	.89	.61	56.62	12.51
\$2,000,000 to \$5,000,000	1.81	5.26	22.05	.31	.70	51.97	17.90
\$5,000,000 and over	.63	.25	1.34	1.90	5.11	72.28	18.49
Total	46.59	17.61	6.85	1.64	5.50	13.91	7.90

Many persons believe that the Internal Revenue Bureau fails to reach all persons eligible to become Federal income taxpayers. Bureau officials admit the truth of this to a slight extent. But the number of persons who escape their obligations is a small per cent. It is claimed. The bureau is increasing each year the number of taxpayers on its rolls.

By taking into consideration the reports of the Census Bureau and information received by other branches of the Govern-

ment as to average earnings throughout the United States it is fairly clear that the Internal Revenue Bureau is unusually efficient in forcing payment from unwilling taxpayers.

There are 105,000,000 residents of the United States, according to the official census reports. And the average number of persons to a family is more than four and less than five. To that individual inclined to ask how it is possible to consider a fraction of an individual, it must be recalled that this is an average.

## About 5,000,000 Families

## With Taxpayer in Each

Taking these reports, it would appear that for taxpaying purposes there are roughly 23,000,000 family groups in the United States. Theoretically, at least, one person in each group is a direct payer of Federal taxes. And there now are on the tax rolls only one-quarter of this number. But in a very large number of family groups the net income of no